

This record is a partial extract of the original cable. The full text of the original cable is not available.

191300Z Oct 05

C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 006127

SIPDIS

E.O. 12958: DECL: 10/18/2015

TAGS: [ECON IS PREL ISRAELI PALESTINIAN AFFAIRS GAZA DISENGAGEMENT](#)

SUBJECT: PM OFFICE DG SAYS RETURN TO ROADMAP VITAL TO
STABILITY IN PA, ISRAEL

Classified By: Ambassador Richard H. Jones for reasons 1.4 (b,d)

Summary

1. (C) In an October 6 meeting with Ambassador Jones, Ilan Cohen, the Director General of the PM,s Office, said that Israeli society needed to heal the serious rifts that had been opened by the disengagement from Gaza. On the peace process, he said that there would be no West Bank disengagement, but that it is vital to return to the roadmap. He agreed with the Ambassador,s point that PA President Abbas can succeed in the fight against Hamas only if the Palestinians see economic improvement, but noted that Israel is constrained in what it can do by security considerations. On Israel,s domestic economy, Cohen noted improvement, but said that its continuation depended on political stability and a return to the roadmap. Regarding bilateral trade issues, he said that there was some progress on standards, and that he would look into the other bilateral trade irritants. End Summary.

----- Vital to Soothe Disengagement Tensions -----

2. (C) Cohen began the meeting with Ambassador Jones by stressing the trauma caused to Israeli society by the Gaza Disengagement. He said that in addition to the bitterness felt by the 8,000 settlers uprooted from Gaza, the entire religious Zionist sector within Israeli society felt alienated. He noted that soothing the tensions would be difficult, but vital to the long-term health and stability of the country.

----- Defeating Hamas Key to PA Prosperity -----

3. (C) Remarking that a West Bank Disengagement was not in the cards, Cohen said that Israel, the U.S., and the EU need to move fast to reach agreement on reinvigorating the roadmap. The Ambassador noted that, in addition to carrying out their roadmap obligations, the Palestinians also need to see the benefits of disengagement, such as a West Bank) Gaza transportation link. He said that only such progress would provide President Abbas with the support he needs. Cohen agreed with the need to support Abbas and to help him fight Hamas by improving the Palestinian economy via large scale internationally-funded projects. He said that it would only take \$120 million per year to set up a social security system to compete with the social services provided by Hamas, and that Deputy Premier Peres is looking into how to set up such a mechanism. He asserted, however, that the PA President was making a mistake in not dealing with the terrorist organizations now, saying that compromising with such groups never succeeds. He added that pleading weakness in the Middle East could be fatal.

4. (C) Cohen then said that, according to GOI estimates, Palestinians living in third countries might be willing to invest between \$300 and \$500 million in Gaza, but that no one would put money at risk unless the PA ensured a stable security situation. In addition, he noted that 300,000 Israeli Arabs used to vacation at Gaza,s beaches, saying that they would likely do so again if there is a stable security situation. Citing the case of the greenhouses as a unique &win-win8 situation where both sides benefited, Cohen indicated that Israel,s refusal to compromise on security hampers its overall ability to help resolve Gaza,s economic problems. He said that, as a neighbor, Israel wants to have a good economic relationship with the Palestinians, but that it is important for the PA to build trade ties with the private sector in the outside world, and not depend on exporting labor to Israel.

----- Israel,s Prosperity Depends on Political Stability -----

5. (C) On Israel,s internal economic situation, Cohen said

that over 5 percent growth is being predicted for 2006, along with a reduction in the unemployment rate to 8.7 percent. (Note: The unemployment rate is now 9 percent. End Note.) He also noted that rate of incoming foreign direct investment is now the highest on record. However, he stressed that continued economic improvement depended on political stability and a return to the roadmap.

Some Progress on Bilateral Issues

16. (C) The Ambassador raised several problematic bilateral issues, including standards, procurement, and IPR. Cohen responded that discussions on standards have been going well and that Israel will import more products that meet only U.S. standards. Remarking that IPR is a sensitive global issue, he indicated that he will look into the other areas of U.S. concern, including the proposed Patent Term Extension Law.

Visit Embassy Tel Aviv's Classified Website:
<http://www.state.sgov.gov/p/nea/telaviv>

You can also access this site through the State Department's
Classified SIPRNET website.

JONES